No. 12258.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

B. H. STAUFFER and STAUFFER SYSTEM, INC.,

Appellants,

vs.

KATHLEEN EXLEY,

Appellee.

BRIEF OF APPELLEE.

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I.

Statement of the Pleadings and Facts Disclosing Lack of Jurisdiction in the District Court.

The only pleading necessary to consider is the complaint. It is conceded by appellants that no diversity of citizenship exists and that the complaint alleges merely a simple action in unfair competition, not related to a substantial or any claim under the copyright, patent or trade-mark laws (Op. Br. p. 2).

The controlling jurisdictional statute herein is Subsection (b) of Section 1338 of the New Judicial Code. Said Section 1338 reads as follows:

> "(a) The district courts shall have original jurisdiction of any civil action arising under any Act of

Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition *when joined with a substantial and related claim under the copyright, patent or trade-mark laws.*" (See footnote.)

The foregoing section of the New Judicial Code is part of the Revision of the Judicial Code, effective September 1, 1948. This Revision covers the entire field of jurisdiction of the United States Courts, including the District Court, and manifestly was designed to embrace the entire subject of legislation with respect to jurisdiction in all of the federal courts.

The Lanham Act, relied upon by appellants, became effective July 5, 1947, approximately fourteen months prior to the effective date of the New Judicial Code. Anything contained in the said Lanham Act which might possibly be construed to vest the District Courts with jurisdiction in simple unfair competition actions must be deemed to be entirely superseded by the New Judicial Code.

Note: All emphasis added.

II.

Summary of Argument.

A. IN THE ABSENCE OF DIVERSITY OF CITIZENSHIP, THE DISTRICT COURT HAS NO JURISDICTION OF A SIMPLE ACTION IN UNFAIR COMPETITION WHERE SUCH ACTION IS NOT JOINED WITH A SUBSTANTIAL AND RELATED CLAIM, UNDER THE COPYRIGHT, PATENT OR TRADE-MARK LAWS.

B. THE NEW JUDICIAL CODE IS A COMPLETE REVISION OF THE EXISTING LAWS GOVERNING JURISDICTION OF THE DISTRICT COURTS AND EMBRACES THE ENTIRE SUBJECT OF JURISDICTION SUPERSEDING ALL PRIOR LAWS.

III.

ARGUMENT.

A. In the Absence of Diversity of Citizenship, the District Court Has No Jurisdiction of a Simple Action in Unfair Competition Where Such Action Is Not Joined With a Substantial and Related Claim, Under the Copyright, Patent or Trade-mark Laws.

Subsection (b) of Section 1338 of the New Judicial Code was added to conform to the ruling of the Supreme Court in *Hurn v. Oursler,* 289 U. S. 238, 53 S. Ct. 586, 77 L. Ed. 1148. It was there held that the District Court had jurisdiction of an action for unfair competition where such action was joined with a substantial federal claim sufficient to found federal jurisdiction. The Revision of the Judicial Code has now adopted this holding by enacting it into statutory law. In this respect Mr. William W. Barron, chief reviser, comments as follows in 8 F. R. D. 439 at p. 442:

> "Subsection (b) of section 1338 is new. It is added to give to district courts original jurisdiction

of any civil action asserting a claim for unfair competition when joined with a substantial and related claim under the patent, copyright or trade-mark laws. The Supreme Court in Hurn v. Oursler held that such a claim for unfair competition of which a federal court has no original jurisdiction is nevertheless within its ancillary jurisdiction when it arises from the same acts which give rise to the claim of copyright infringement.

The statutory confirmation of the jurisdiction of federal courts in cases like these should not be regarded either as an extension or limitation of ancillary jurisdiction in other cases or under other circumstances."

The report of the committee on the judiciary of the House of Representatives with respect to the revision of Title 28 of the United States Code, states in part as follows with respect to the revision of Section 1338:

"Subsection (b) is added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the District Court. While this is the rule under Federal decisions, this section would enact it as statutory authority. The problem is discussed at length in *Hurn v. Oursler* (1933, 53 S. Ct. 586, 289 U. S. 238, 77 L. Ed. 1148) and in *Musher Foundation v. Alba Trading Co.* (C. C. A., 1942, 127 F. 2d 9) (majority and dissenting opinions)."

Revision of Title 28, Report of Committee on Judiciary House Report No. 308, page A119.

Subdivision (b) of Section 1338 means exactly what it says. *It is a new section,* clearly and unequivocally

specifying that a simple action in unfair competition such as is here involved may be brought in the Federal Court only when joined with a *substantial* and *related* claim under the copyright, patent or trade-mark laws. There being no claim under the copyright, patent or trade-mark laws involved herein, the District Court was therefore clearly right in dismissing the within action for lack of jurisdiction.

B. The New Judicial Code Is a Complete Revision of the Existing Laws Governing Jurisdiction of the District Courts and Embraces the Entire Subject of Jurisdiction Superseding All Prior Laws.

1. A Revision of Laws Embracing an Entire Subject of Legislation Repeals All Former Laws on the Same Subject Even in the Absence of a Repealing Clause to That Effect.

The foregoing rule is stated in 50 Am. Jur., page 559, Section 556, as follows:

> "556.—Repeal by Implication.—As a general rule, the enactment of revisions and codes manifestly designed to embrace an entire subject of legislation, operates to repeal former acts dealing with the same subject, although there is no repealing clause to that effect. Under this rule, all parts and provisions of the former act or acts, that are omitted from the revised act, are repealed, even though the omission may have been the result of inadvertence. The application of the rule is not dependent on the inconsistency or repugnancy of the new legislation and the old; for the old legislation will be impliedly repealed by the new even though there is no repugnancy between them."

The same rule was announced by the Supreme Court of the United States in *Cook County National Bank v. United States,* 107 U. S. 445, 2 S. Ct. 561, 566, 27 L. Ed. 537, wherein it was held that a general statute giving the United States preference as a creditor did not apply to the National Banking Act. The rule is stated at page 539 of 27 L. Ed. as follows:

> "The doctrine as to repugnant provisions of different laws is well settled, and has often been stated in decisions of this court. A law embracing an entire subject, dealing with it in all its phases, may thus withdraw the subject from the operation of a general law *as effectually as though, as to such subject, the general law were in terms repealed.*"

It is clear that the intent of Congress in adopting the New Judicial Code, was to codify and revise the entire subject of jurisdiction of the United States courts and particularly the jurisdiction of said courts with respect to copyright, trade-mark, patent and unfair competition cases. The former sections of the United States Code dealing with jurisdiction in patent, trade-mark and copyright cases (Title 28, U. S. C., 1940 Ed., Sections 41(7) and 371(5)) were consolidated. These former sections merely provided that the District Courts should have jurisdiction of all cases arising out of the patent, copyright and trade-mark laws. In the revision, an additional substantial clause was added, namely, Subsection (b) of Section 1338 to the effect that the District Courts would have jurisdiction of unfair competition actions when joined with a substantial and related claim under the copyright, patent or trade-mark laws. It is thus manifest from the language of the revision itself that it was the intent of Congress to embrace the entire field of juris-

diction in the new revision, and to supersede all prior laws on the same subject. This intent is further confirmed by the comments of Chief Reviser, Mr. William W. Barron and the Report of the House Judiciary Committee, hereinbefore set forth.

From the foregoing, it is apparent that the Lanham Act is entirely superseded in so far as it deals with the subject of jurisdiction of the District Courts in simple actions for unfair competition where no diversity of citizenship exists.

Conclusion.

It follows from the foregoing that the District Court was without jurisdiction of the within action, and the Judgment of Dismissal should therefore be affirmed.

Respectfully submitted,

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